

Zeus Finco Limited
Annual report and financial statements
For the year ended 31 March 2020

Registered number: 10574680

Zeus Finco Limited

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Zeus Finco Limited

Officers and professional advisers

Directors	T P Buchan R A Butler M T Phillips
Company Secretary	M K Patel
Registered Office	Number One Great Exhibition Way Kirkstall Forge Leeds England LS5 3BF
Bankers	National Westminster Bank plc Bradford
Auditor	Deloitte LLP Statutory Auditor Leeds United Kingdom

Zeus Finco Limited

Strategic report

The directors present their strategic report on the private limited company for the year ended 31 March 2020.

Principal activity and business review

The principal activity of the Company is to hold the listed debt which is an important part of the capital structure of the Group. The debt is listed on The International Stock Exchange and matures on 31 March 2037.

The Company is consolidated into the results of the Group headed by its parent company, Zenith Automotive Holdings Limited.

Principal risks and uncertainties

The principal risks specific to the Company and how they are managed and mitigated are outlined below.

The carrying value of the investments in subsidiary undertakings is dependent on their performance. The risks and uncertainties in respect of the performance of its subsidiaries can be found in the Directors' Report of those subsidiaries financial statements.

Risks arising from interest rate exposure are discussed as part of the next section on treasury management.

The entity is part of the overall management of the Group and the Group wide risks and uncertainties can be found in the Strategic Report of the group consolidated accounts, Zenith Automotive Holdings Limited (see note 14).

Treasury management

With respect to treasury management we look to remove as much risk as possible from the business with respect to interest rate exposure. All of our group contracts with customers are fixed interest rate contracts and all of the matching asset finance used to fund these contracts is taken on a fixed interest basis or swapped into fixed interest at the point of funding within the trading companies within the Group.

Key performance indicators

The key performance indicators (KPIs) of the business are in line with the wider group and, as a holding company, are not considered specifically for this Company. The KPIs for the Group can be found in the Strategic Report of the group consolidated accounts, Zenith Automotive Holdings Limited.

Going Concern

The Company makes use of bank facilities agreed on a Zenith Automotive Holdings Limited group wide basis. On 31 March 2017 the Group secured new bank loan facilities which settle on 31 March 2024 and settled its existing bank loan facilities. Following the refinancing, the Company has access to considerable financial resources to manage its operations. The Company is in a net liability position and the Group will provide support. The directors note that the Group is cash generative and have reviewed the forecasts which cover a period exceeding 12 months from the date of signature of the financial statements.

On 23 March 2020 a lockdown was imposed in the UK, banning all non-essential travel and closing all but non-essential businesses, including the closure of car showrooms and auction houses due to the COVID-19 pandemic.

The professional and diligent approach of our managers across a period of years has resulted in excellent and robust Business Continuity Plans. This has helped us to enable our workforce to work efficiently from home during this period, keeping our employees safe whilst also providing a seamlessly high level of service to our customers. This has also enabled us to maintain a similar control environment to that which would have applied in the office.

Zeus Finco Limited

Strategic report (continued)

Going Concern (continued)

Due to the nature of our group wide business model, which is predominately long-term leases of between three to five years to large corporate customers, the degree of visibility over expected earnings and profitability is high. As a result, Zenith is well positioned to navigate this intense period of disruption caused by the COVID-19 pandemic. The financial modelling we have performed shows that we continue to trade cash positive as a result of our business model, long-term income streams and additional procedures we have put in place. These include close monitoring of customer credit risk, daily monitoring of residual values and a review of our supply chain for increased risk of failure. We have continued to keep our scenario model refreshed, as well as monitoring our results closely which show that our experience of payment holidays, vehicle sale volumes and profits continue to perform within our expected range. More details can be found in the Strategic Report of the group consolidated accounts, Zenith Automotive Holdings Limited (see note 14).

The scale of the Group means it can withstand these short-term challenges particularly our wide HGV to car and corporate to consumer propositions enabling us to be agile, spot changes in the market and adapt our strategy if required. We continue to closely monitor Brexit and COVID-19 developments and have not identified any material adjustments to balances included in these financial statements. On this basis, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Future developments

Zeus Finco Limited holds the loan notes which are an important part of the capital structure for the Group. This is expected to continue in the foreseeable future. The future developments of the Group can be found in the Strategic Report of the group consolidated accounts, Zenith Automotive Holdings Limited.

Approved by the Board and signed on its behalf by:



M T Phillips
Director
30 July 2020

Zeus Finco Limited

Directors' report

The Company was incorporated on 20 January 2017.

The directors present their report on the affairs of the Company, together with the audited financial statements, for the year ended 31 March 2020.

Directors indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors during the period and these remain in force at the date of this report.

Results and dividends

The Company made a loss before tax of £14,258,000 (31 March 2019: £9,179,000). The increased loss in the period is due to the expected compounding of interest on the loan notes as it only falls due on maturity in 2037. Should there be a listing or a sale of the business prior to this date the loan notes and interest will be settled earlier.

No dividends were declared or paid on equity shares during the year or prior year. None are proposed post year end.

Principal risks and uncertainties

The principal risks and uncertainties of the Company are discussed in the strategic report.

Going concern

The directors set out in the Strategic Report the reasoning for the adoption of the going concern basis in preparing the annual report and financial statements for the Company.

Further details regarding the adoption of the going concern basis can be found in the accounting policies in the financial statements.

Post balance sheet events

All the trading activities of the Company are in the UK. We continue to closely monitor Brexit and COVID-19 developments and have not identified any material adjustments to balances included in these financial statements, nor any material impacts on the business, subsequent to the balance sheet date. There are no other post balance sheet events to report.

Directors

The directors, who served throughout the period and to the date of this report were as follows:

M T Phillips

T P Buchan

R Butler

M K Patel (Company Secretary) (Appointed 1 April 2020)

P J Rawnsley (Company Secretary) (Resigned 25 November 2019)

Future developments

The future developments of the Company are discussed in the strategic report.

Charitable and political contributions

During the year the Company made charitable donations of £nil (2019: £nil). There were no political contributions in the current year (2019: £nil).

Zeus Finco Limited

Directors' report (continued)

Auditor

During the period Deloitte LLP were appointed auditors of the Company.

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The Directors propose that Deloitte LLP are re-appointed as the Company's auditors.

Approved by the Board and signed on its behalf by:



M T Phillips
Director
30 July 2020

Zeus Finco Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Zeus Finco Limited (continued)

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Zeus Finco Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.





We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters The key audit matters that we identified in the current period were:

- Recoverability of amounts due from group undertakings; and
- Going concern.

Within this report, key audit matters are identified as follows:

-  Newly identified
-  Increased level of risk
-  Similar level of risk
-  Decreased level of risk

Materiality The materiality that we used in the current period was £1,000,000 which was determined on the basis of 0.5% of total assets.

Independent auditor's report to the members of Zeus Finco Limited (continued)

Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	In the current year we re-assessed the benchmark used for the determination of materiality from net assets to total assets due to the company being a financing company for the Zenith Automotive Holdings Limited group. The total volume of assets on the balance sheet therefore reflects the most important benchmark in the financial statements. There are no other significant changes in our approach in the current year.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of amounts due from group undertakings

Key audit matter description Amounts due from group undertakings are stated in the balance sheet at £598,421,000 (2019: £537,412,000) and are all due within twelve months due to being repayable on demand.

There is a significant level of judgement involved in determining the recoverability of these amounts due from group undertakings based on the financial position and future prospects of the group undertakings, particularly in light of the Covid-19 outbreak, which creates more uncertainty surrounding the trading performance of the Group. the recoverability of these amounts takes into consideration a range of factors such as the trading performance of the group undertakings.

Further details are included within the strategic report on pages 2 and 3, the critical accounting estimates and judgements noted in note 2 and note 8 to the financial statements.

How the scope of our audit responded to the key audit matter We challenged the directors' judgements regarding the appropriateness of the carrying value of amounts due from group undertakings through obtaining a copy of the latest audited financial information, considering and challenging the future trading performance of the group undertakings, and assessing the ability of the group undertakings to repay these amounts. We also considered the historical accuracy of management's forecasts by comparing the actual results to forecasts, as well as analyzing results post year end against forecasts to assess the impact that Covid-19 would have on the recoverability of amounts due from group undertakings.

Independent auditor's report to the members of Zeus Finco Limited (continued)

Recoverability of amounts due from group undertakings (continued)

Key observations Based on the work performed we concluded that amounts due from group undertakings are appropriately stated.

Going concern

Key audit matter description The Company has debt of £282,392,000 as at 31 March 2020 (2019: £228,236,000), with financing comprising Fixed Rate Unsecured PIK loan notes on the official list of the International Stock Exchange. The Company also has debtors due from group undertakings totaling £598,421,000 (2019: £537,412,000).

The ability of the Company to repay the debt and pay the relevant interest charges is dependent on the trading performance and future prospects of the subsidiaries and whether those subsidiaries will have the ability to repay their loans to the Company. In addition, the Company is also dependent on support from its parent undertaking Zenith Automotive Holdings Limited. Any deterioration in performance of the subsidiaries or unwillingness of the parent undertaking to support the Company would in turn affect the going concern basis of accounting under which the financial statements have been prepared.

The directors have prepared cash flow projections for the subsidiaries which involve significant judgement over key assumptions such as future performance, revenue growth and discount rates, particularly following the challenges raised by the Covid-19 outbreak in March 2020 and the impact this will have on the company going forward, given that it creates more uncertainty surrounding the trading performance of the group. There is an increased risk of management bias attached to the cash flow forecasts, given that it would be beneficial for the entity to present cash flow projections in a more favourable manner.

Management have concluded that the company has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

Further details are included within the strategic report on pages 2 to 3 and notes 1 and 10 to the financial statements.

How the scope of our audit responded to the key audit matter We obtained an understanding of the relevant controls related to the assessment of going concern.

We reviewed management's cash flow projections and Covid-19 stress scenarios, challenging the key assumptions through analysing post year end performance of the entity and considering the general market conditions affecting the group undertakings in the car leasing industry. We have used our understanding of the future performance of the business, industry forecasts and assessed the potential risk of management bias.

We challenged the directors' judgements regarding the appropriateness of adopting the going concern basis of accounting through the analysis of the trading performance of the group undertakings post year end and assessing whether management had appropriately considered the impact of Covid-19 in their forecasts for future periods. We also considered the historical accuracy of management's forecasts by comparing the actual results to forecasts as well as the accuracy of management's forecasts post year end.

We tested the integrity of the cash flow projections using our computer assisted analytics tools and tested the accuracy and completeness of the underlying data and formulae used.

Independent auditor's report to the members of Zeus Finco Limited (continued)

Going concern (continued)

We also assessed the willingness and ability of the parent company Zenith Automotive Holdings Limited to continue to support the Company.

We evaluated the adequacy of the disclosure made in the financial statements in respect of the company's ability to continue as a going concern.

Key observations

Based on the work performed we are satisfied that the adoption of the going concern basis of accounting and the disclosure in respect of the Company's ability to continue as a going concern are appropriate.

Our application of materiality

Materiality

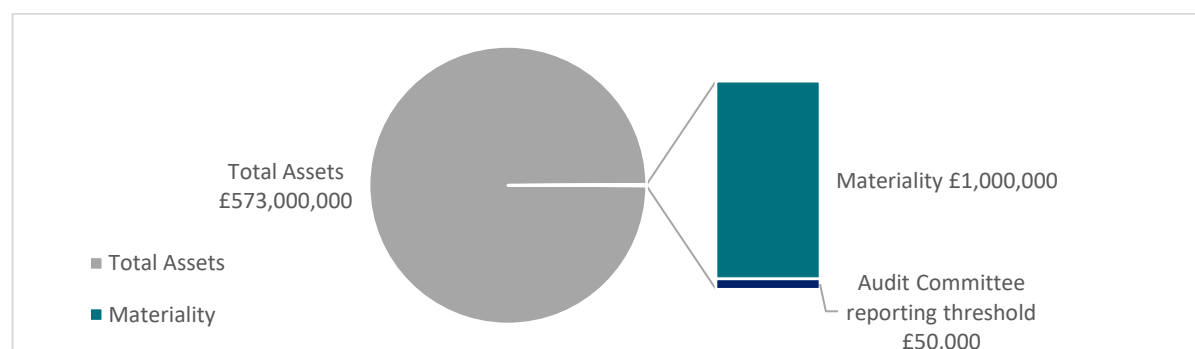
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality £1,000,000 (2019: £419,970)

Basis for determining materiality 0.5% of Total Assets (2019: 3% of Net Liabilities).

Rationale for the benchmark applied We re-assessed the benchmark used for the determination of materiality in the current year. Zeus Finco are a financing company for the Zenith Automotive Holdings Limited group. The total volume of assets on the balance sheet therefore reflects the most important benchmark in the financial statements, and is the key metric used by management, investors, analysts and lenders, with shareholder value being driven by total assets value movements.



Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

- The quality of the control environment of the business; and
- The low number of corrected and uncorrected misstatements identified in the prior period.

Independent auditor's report to the members of Zeus Finco Limited (continued)

Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £50,000 (2019: £20,999), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of Zeus Finco Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Peter Birch FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
30 July 2020

Zeus Finco Limited

Profit and loss account

For the year ended 31 March 2020

		Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
	Note		
Interest receivable and similar income	4	33,089	32,999
Interest payable and similar expenses	5	(47,347)	(42,178)
		<hr/>	<hr/>
Loss before taxation	3	(14,258)	(9,179)
Tax on loss	6	-	-
		<hr/>	<hr/>
Loss for the financial year attributable to equity shareholders of the Company		(14,258)	(9,179)
		<hr/> <hr/>	<hr/> <hr/>

All results are derived from continuing operations.

The accompanying notes 1 to 15 are an integral part of the financial statements.

Statement of comprehensive income

For the year ended 31 March 2020

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Loss for the financial year	(14,258)	(9,179)
	<hr/>	<hr/>
Total comprehensive expense attributable to equity holders of the Company	(14,258)	(9,179)
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes 1 to 15 are an integral part of the financial statements.

Zeus Finco Limited

Balance sheet

As at 31 March 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Investments	7	2,482	2,482
		<u>2,482</u>	<u>2,482</u>
Current assets			
Debtors	8	598,421	537,412
Creditors: Amounts falling due within one year	9	(346,768)	(325,657)
Net current assets		<u>251,653</u>	<u>211,755</u>
Total assets less current liabilities		254,135	214,237
Creditors: Amounts falling due after more than one year	10	(282,392)	(228,236)
Net liabilities		<u>(28,257)</u>	<u>(13,999)</u>
Capital and reserves			
Called up share capital	11	2,482	2,482
Profit and loss account		<u>(30,739)</u>	<u>(16,481)</u>
Shareholders' deficit		<u>(28,257)</u>	<u>(13,999)</u>

The accompanying notes 1 to 15 are an integral part of the financial statements.

These financial statements of Zeus Finco Limited (registered number 10574680) were approved by the Board of Directors and authorised for issue on 30 July 2020.



M T Phillips
Director

Zeus Finco Limited

Statement of changes in equity

For the year ended 31 March 2020

	Note	Called up Share Capital £'000	Profit and Loss Account £'000	Total £'000
At 31 March 2018		2,482	(7,302)	(4,820)
Loss for the financial year and total comprehensive income		-	(9,179)	(9,179)
At 31 March 2019		2,482	(16,481)	(13,999)
Loss for the financial year and total comprehensive income		-	(14,258)	(14,258)
At 31 March 2020		2,482	(30,739)	(28,257)

The accompanying notes 1 to 15 are an integral part of the financial statements.

Zeus Finco Limited

Notes to the financial statements

For the year ended 31 March 2020

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding period.

a. General information and basis of accounting

Zeus Finco Limited is a private company, limited by shares and registered in England and Wales under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on page 2.

The financial statements have been prepared under the historical cost convention are in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and adopt IFRS 9 for classification and measurement of financial instruments.

The functional currency of Zeus Finco Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Zeus Finco Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Zeus Finco Limited is consolidated in the financial statements of its parent, Zenith Automotive Holdings Limited, which may be obtained from the address in note 14. Exemptions have been taken in these separate Company financial statements in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

The Company is included in the consolidated financial statements of Zenith Automotive Holdings Limited which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

b. Going concern

The Directors have considered the adoption of the going concern basis in preparing the financial statements given the current economic climate and have formed the conclusion that there are no material uncertainties with respect to the Company's abilities to continue as a going concern for the foreseeable future. In forming this view, the Directors have considered the Company's budgets and trading forecast and committed bank facilities available to the Group together with forecast headroom against those borrowing facilities including the impact of reasonable downside sensitivities and all foreseeable uncertainties.

On 23 March 2020 a lockdown was imposed in the UK, banning all non-essential travel and closing all but non-essential businesses, including the closure of car showrooms and auction houses due to the COVID-19 pandemic.

The professional and diligent approach of our managers across a period of years has resulted in excellent and robust Business Continuity Plans. This has helped us to enable our workforce to work efficiently from home during this period, keeping our employees safe whilst also providing a seamlessly high level of service to our customers. This has also enabled us to maintain a similar control environment to that which would have applied in the office.

Due to the nature of our group wide business model, which is predominately long-term leases of between three to five years to large corporate customers, the degree of visibility over expected earnings and profitability is high. As a result, Zenith is well positioned to navigate this intense period of disruption caused by the COVID-19 pandemic. The financial modelling we have performed shows that we continue to trade cash positive as a result of our business model, long-term income streams and additional procedures we have put in place. These include close monitoring of customer credit risk, daily monitoring of residual values and a review of our supply chain for increased risk of failure. We have continued to keep our scenario model refreshed, as well as monitoring our results closely which show that our experience of payment holidays, vehicle sale volumes and profits continue to perform within our expected range. More details can be found in the Strategic Report of the group consolidated accounts, Zenith Automotive Holdings Limited (see note 14).

Zeus Finco Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

1. ACCOUNTING POLICIES (continued)

b. Going concern (continued)

The scale of the Group can withstand these short-term challenges particularly our wide HGV to car and corporate to consumer propositions enabling us to be agile, spot changes in the market and adapt our strategy if required. We continue to closely monitor Brexit and COVID-19 developments and have not identified any material adjustments to balances included in these financial statements. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

c. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Zeus Finco Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

1. ACCOUNTING POLICIES (continued)

d. Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities (other than financial asset and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Classification of financial asset

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within the business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principle and interest on the principle amount outstanding.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principle repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised in the profit or loss and is included in the "Interest receivable and other income" line item.

Impairment of financial assets

Intercompany receivables are repayable on demand. Expected credit losses are calculated based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower cannot pay today if demanded, the assessment of impairment will consider the expected manner of recovery and recovery period of the intercompany loan.

Write off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Zeus Finco Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

1. ACCOUNTING POLICIES (continued)

d. Financial instruments (continued)

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of the financial liability.

e. Dividend and interest income

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

f. Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Zeus Finco Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The directors consider there to be no critical judgements noted in applying the Company's accounting policies.

Key sources of estimation uncertainty

Impairment of investments

The Company's investments have been reviewed for impairment within the year. The directors continue to believe that the carrying value of these investments is supported by their underlying net assets or value in use.

3. LOSS BEFORE TAXATION

The directors' remuneration from all group companies is disclosed in the financial statements of a fellow group company Zenith Vehicle Contracts Limited. Whilst the directors received salaries from other group companies during the year they received no emoluments directly in respect of qualifying services to the Company.

The fee for auditing the financial statements of £8,920 (2019: £7,140) has been borne by another group company. There were no non-audit fees in either year relevant to company only services. There are no employees other than the directors.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Interest income on intercompany loans	33,089	32,999
	<u>33,089</u>	<u>32,999</u>

Zeus Finco Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Bank loans and other interest charges	29,261	22,523
Interest on intercompany loans	18,086	19,655
	<u>47,347</u>	<u>42,178</u>

6. TAX ON LOSS

The tax charge comprises:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Current tax on loss		
UK Corporation tax	-	-
Deferred tax		
Current period	-	-
	<u>-</u>	<u>-</u>
Total tax charge	<u>-</u>	<u>-</u>
 Tax per income statement	 -	 -
 Other comprehensive income items:		
Deferred tax current period charge	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

The standard rate of tax applied to reported loss is 19% (2019: 19%). Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment occurred on 17 March 2020 i.e. before the balance sheet date, deferred tax balances as at 31 March 2020 have been measured at a rate of 19%.

Zeus Finco Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

6. TAX ON LOSS (continued)

Factors Affecting Total Tax Charge for the Current Period

The charge for the year can be reconciled to the loss per the income statement as follows:

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Loss for the period - continuing operations	(14,258)	(9,179)
Tax on profit at standard UK rate of 19%	(2,709)	(1,744)
Effects of:		
Expenses not deductible	4,709	4,279
Income not taxable		
Effects of group relief	(2,000)	(2,535)
Tax charge for the period	-	-

7. INVESTMENTS

	2020 £'000	2019 £'000
Cost and net book value	2,482	2,482

At 31 March 2020 the Company held, directly and indirectly, 100% of the allotted ordinary share capital of the following:

	Class of shares held	Principal activity	Percentage of shares held
Zeus Midco Limited	Ordinary	Holding company	100%
Zeus Bidco Limited	Ordinary	Holding company	100%*
Zenith OpCo Limited	Ordinary	Contracting company	100%*
Leasedrive Limited	Ordinary	Vehicle leasing and related activities	100%*
Velo Limited	Ordinary	Vehicle leasing and related activities	100%*
Zenith Vehicle Contracts Limited	Ordinary	Vehicle leasing and related activities	100%*
Zenith EF Limited	Ordinary	Vehicle leasing and related activities	100%*
Provecta Car Plan Limited	Ordinary	Vehicle leasing and related activities	100%*
Zenith Remarketing Limited	Ordinary	Vehicle leasing and related activities	100%*
Contract Vehicles Limited	Ordinary	Vehicle leasing and related activities	100%*
ZenAuto Limited	Ordinary	Vehicle leasing and related activities	100%*

All the companies are incorporated in England and Wales and operate principally in their country of registration. The registered office of all the above subsidiaries is Number One, Great Exhibition Way, Kirkstall Forge, Leeds, England, LS5 3BF.

*The shares in the undertakings marked with an asterisk are held indirectly by subsidiary undertakings.

Zeus Finco Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

8. DEBTORS

	2020 £'000	2019 £'000
Amounts owed by group undertakings	598,421	537,412
	<u>598,421</u>	<u>537,412</u>

All the Company's trade debtors have been reviewed for impairment and where necessary a provision for impairment provided. The value of the impairment charged to the income statement is £nil (2019: £nil)

Amounts owed by group undertakings are unsecured, repayable on demand and charged at a commercial rate of interest.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Amounts owed to group undertakings	339,530	319,823
Accruals and deferred income	7,238	5,834
	<u>346,768</u>	<u>325,657</u>

Amounts owed to group undertakings are unsecured, repayable on demand and charged at a commercial rate of interest.

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020 £'000	2019 £'000
Loan notes*	<u>282,392</u>	<u>228,236</u>

The total amount presented in the balance sheet for loan notes includes £67,254,783 (2019: £36,635,624) of compounded interest and is shown net of unamortised issue costs amounting to £7,932,786 (2019: £8,399,418), which will be amortised to the profit and loss account over the remaining term of the loan. Within this amount £466,632 will amortise in the next 12 months.

* Listed on The International Stock Exchange.

Zeus Finco Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

The full repayment profile previously described is presented in the table below. The capital and accrued interest is repayable on 31 March 2037.

	2020 £'000	2019 £'000
Borrowings repayable as follows:		
Between 1-2 years	(467)	(467)
Between 2-5 years	(1,400)	(1,400)
After 5 years	284,259	230,103
	<u>282,392</u>	<u>228,236</u>

11. SHAREHOLDERS FUNDS

	2020 £'000	2019 £'000
Authorised, allotted, called up and fully paid		
2,482,495 ordinary shares of £1 each	<u>2,482</u>	<u>2,482</u>

The motive and purpose of each reserve within equity is as follows:

Reserve	Description and purpose
Profit and loss account	Cumulative net gains and losses from recognised earnings in the income statement

12. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

Contingent liabilities

The Group's banking facilities are subject to a standard cross guarantee with other group subsidiaries. At 31 March 2020 the amount secured under this guarantee was £nil (2019: £12,467,412).

13. RELATED PARTY TRANSACTIONS

As a subsidiary company of ultimate parent undertaking Zenith Automotive Holdings Limited, the Company has taken advantage of the exemptions in Section 33 "*Related Party Transactions*" from disclosing transactions with other wholly owned companies.

Zeus Finco Limited

Notes to the financial statements (continued)

For the year ended 31 March 2020

14. ULTIMATE CONTROLLING PARTY

At 31 March 2020, the largest and smallest group in which the results of the Company were consolidated is the ultimate parent company, Zenith Automotive Holdings Limited, incorporated in England and Wales. The consolidated financial statements can be obtained from their registered office at Number One, Great Exhibition Way, Kirkstall Forge, Leeds, LS5 3BF.

According to the register of members maintained by Zenith Automotive Holdings Limited, a number of limited partnerships comprising the Bridgepoint Europe V Fund, which are managed by Bridgepoint Advisers Limited, and hold securities through a nominee company, BEV Nominees Limited, held a significant interest in the ordinary shares of the Company at the balance sheet date and continue to do so at the date of this report. The directors of Zenith Automotive Holdings Limited deem there not to be an ultimate controlling party as none of the investors in the Bridgepoint Europe V Fund has an effective ownership of more than 20% of the issued share capital of the Company.

15. POST BALANCE SHEET EVENTS

We continue to closely monitor Brexit and COVID-19 developments and have not identified any material adjustments to balances included in these financial statements, nor any material impacts on the business, subsequent to the balance sheet date. There are no other post balance sheet events to report.